

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 NSA-01 AID-05 CIAE-00 COME-00  
FRB-03 INR-07 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02  
CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04  
CEA-01 L-03 H-01 DODE-00 DOTE-00 FMC-01 SAL-01 CG-00  
DLOS-06 OES-06 AGRE-00 AF-08 ABF-01 /109 W  
-----182013 099320 /46

R 181818Z FEB 77  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC 0259

LIMITED OFFICIAL USE SECTION 1 OF 2 LISBON 1414

ALSO PASS TREASURY FOR SYVRUD

E.O. 11652: N/A  
TAGS: ECON, ELAB, PO  
SUBJ: ECONOMIC DEVELOPMENTS

REF: (A) LISBON 1069, (B) LISBON 1115, (C) LISBON 1246

SUMMARY: WITH SOARES IN EUROPE, GOP HAS SUCCESSFULLY  
DEFUSED PUBLIC WORKER AND FISHERMEN DISPUTES. IT REMAINS  
TO BE SEEN, HOWEVER, IF IT WILL HAVE WILL TO BUCK RISING  
LABOR OPPOSITION TO ECONOMIC RECOVERY MEASURES. END SUMMARY.

1. "BATTLE OF EUROPE": PUBLIC ATTENTION CONTINUES TO FOCUS  
ON PRIME MINISTER SOARES'S TOUR OF EUROPEAN CAPITALS, WHERE  
HE IS LOBBYING FOR PORTUGAL'S ADMITTANCE TO EC (REF A).  
NON-COMMUNIST PRESS ACCOUNTS HAVE HIGHLIGHTED SOARES'S  
SUCCESS TO DATE IN WHAT IS BEING BILLED AS HIS  
"BATTLE OF EUROPE," AND HIS EMPHASIS ON OVERRIDING  
POLITICAL IMPORTANCE OF PORTUGAL'S EARLY ENTRY INTO THE  
COMMUNITY.

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2. LABOR ACTIVITY: AT HOME, THE SOARES GOVERNMENT CAME  
OUT SLIGHTLY AHEAD ON THE LABOR FRONT. FOUR WORKERS WERE  
INJURED IN SCUFFLES WITH POLICE IN FEB 17 TEXTILE STRIKE BUT  
SEVERAL OTHER LABOR DISPUTES WERE SETTLED THROUGH NEGOTIATIONS.  
THE UNIONS IN MOST CASES CLAIMED TO HAVE WON THEIR POINTS,  
BUT THIS WAS PUTTING THE BEST FACE ON COMPROMISE SETTLEMENTS  
WHICH CONCEDED LITTLE.

-- PUBLIC EMPLOYEES: THE ONE-DAY STRIKE CALLED BY 13 PUBLIC EMPLOYEE UNIONS FOR FEBRUARY 15 (REF B) WAS DEFUSED PRIOR TO THE STRIKE DAY BY AN AGREEMENT ESTABLISHING A "DIALOGUE" BETWEEN THE UNIONS AND THE GOVERNMENT, PLUS A COMMITMENT TO RE-EXAMINE THE EMPLOYEES' WAGE DEMANDS WHEN THE NATIONAL BUDGET IS REVISED IN JULY. THE UNIONS WERE SATISFIED TO AVOID A CONFRONTATION AND ADOPT THE FACE-SAVING TACTIC OF CONVENING "WORKERS ASSEMBLIES" FOR AFTER WORKING HOURS. PUBLIC EMPLOYEE SUPPORT FOR THE STRIKE WAS DISSIPATING RAPIDLY DUE TO THE GOP'S WARNING OF DISCIPLINARY ACTION AND BECAUSE OF PS AND PSD OPPOSITION.

-- FISHERMEN: FOLLOWING THE FEB 13 RETURN OF MATOSINHOS FISHERMEN TO SEA, FISHERMEN STRIKE ENDED WITH AGREEMENT FEB 16 BETWEEN GOP AND FISHERMEN'S UNION. AGREEMENT INCLUDED COMPROMISE ON CONTROL OF CREW HIRING; PERMANENT CREW WILL NOT NEED UNION DOCUMENTATION BUT TEMPORARY CREW WILL. UNIONS WILL RETAIN OVERALL RIGHT TO DOCUMENT SEAMEN, BUT GOVERNMENT WILL HAVE SUPERVISORY POWER WITH RIGHT TO INTERVENE IN CASE OF IRREGULARITIES. TRIPARTITE COMMISSIONS (GOVERNMENT, UNIONS, COMPANIES) WILL BE ESTABLISHED IN MAJOR PORTS TO SUPERVISE SEAMAN DOCUMENTATION. REGISTRATION OF ADDITIONAL PERSONS AS UNSKILLED SEAMEN WILL BE TEMPORARILY SUSPENDED AND THE EXISTING ROLL OF UNSKILLED SEAMEN WILL BE REVIEWED BY TRIPARTITE COMMISSIONS.

-- MERCHANT SEAMEN: GOVERNMENT REQUISITION OF PORTUGUESE MERCHANT SHIPS AND CREWS FEB 12 ENDED CREWS' REFUSAL TO WORK OVERTIME IN SOLIDARITY WITH STRIKING FISHERMEN (REF C). GOP STATED THAT FLOW OF VITAL SUPPLIES WAS NEVER INTERRUPTED AND THAT NO RESORT TO DISCIPLINARY ACTION HAD BEEN NECESSARY. LIMITED OFFICIAL USE

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REQUISITION WAS SUSPENDED FEB 17 UPON TERMINATION OF FISHERMEN STRIKE. RIVER STEVEDORES ALSO SUPPORTING FISHERMEN BY REFUSAL TO WORK OVERTIME HAD PREVIOUSLY AGREED TO WORK EXTRA HOURS TO MOVE CRITICAL CARGOES.

-- TEXTILE STRIKE: SEVERAL INCIDENTS OF VIOLENCE ERUPTED FEB 17 DURING THE ONE-DAY TEXTILE STRIKE CALLED TO ENFORCE THE WORKERS' DEMANDS FOR A NEW COLLECTIVE CONTRACT. INTERMITTENT WORK STOPPAGES (ONE HOUR PER SHIFT, PLUS 15 MINUTES EVERY TWO HOURS) WHICH WERE IN FORCE DURING THE PREVIOUS TWO WEEKS HAD BEEN WIDELY IGNORED IN THE INDUSTRY. AMCONSUL OPORTO REPORTS UNION DELEGATES DID SUCCEED IN CLOSING MOST FACTORIES IN TEXTILE AREA DURING ONE-DAY STRIKE. PARAMILITARY GNR POLICE CLASHED WITH STRIKERS IN FAMILICAO AND FOUR WORKERS WERE TREATED FOR INJURIES. TEXTILE INDUSTRY HAS 300,000 WORKERS AND PRODUCES PORTUGAL'S MOST IMPORTANT EXPORT COMMODITY.

-- ELECTRICAL WORKERS: ELECTRICAL UNIONS THREATENED TO CALL A ONE-DAY STRIKE FEB 17 IF MANAGEMENT ASSOCIATION DID NOT UP ITS OFFER OF A 4 PERCENT WAGE INCREASE FOR NEW

CONTRACT. STRIKE FORESTALLED BY MANAGEMENT OFFER OF 10 PER CENT INCREASE WHEREUPON UNION AGREED TO BEGIN NEGOTIATIONS.

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FM AMEMBASSY LISBON  
TO SECSTATE WASHDC 0260

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ALSO PASS TREASURY FOR SYVRUD

-- TRAVEL AGENCY EMPLOYEES: PRIVATE SECTOR TRAVEL AGENCY EMPLOYEES AGAIN STRUCK AFTERNOON OF FEB 17 IN SUPPORT OF THEIR DEMAND THAT THEIR WAGES BE INCREASED TO THE SAME LEVEL AS EMPLOYEES OF NATIONALIZED TRAVEL AGENCIES.

3. OPPOSITION TO 15 PER CENT LIMIT: GOP'S EXTENSION OF 15 PER CENT WAGE INCREASE LIMITATION TO PRIVATE SECTOR (REF C) IS DRAWING FIRE FROM LEFT. COMMUNIST PRESS HAS ENVEIGHED AGAINST MEASURE AS FURTHER ATTACK BY GOP AGAINST RIGHTS OF LABOR. COMMUNIST DOMINATED NATIONAL LABOR CONFEDERATION CGTP-IN RELEASED FEB 17 STATEMENT CONDEMNING MOVE AS DE FACTO FREEZING OF COLLECTIVE CONTRACTS AND "STEP BACKWARD TO A HATEFUL PAST." IT CALLED FOR IMMEDIATE REVOCATION OF DECREE. BY OUR READING OF DECREE TEXT, 15 PER CENT LIMIT APPLIES TO VIRTUALLY ENTIRE PRIVATE SECTOR. MINISTRIES OF FINANCE AND PLANNING HAVE CONFIRMED ACCURACY THIS INTERPRETATION. MEASURE PRECLUDES ANY INCREASE ABOVE 15 PER CENT DURING 1977; IT WILL BE ENFORCED THROUGH MANDATORY GOP APPROVAL OF COLLECTIVE CONTRACTS.

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4. DEINTERVENTION: COMMERCE MINISTER ANTONIO BARRETO HAS REAFFIRMED AUTUMN 1976 GOP COMMITMENT TO END STATE INTERVENTION IN SEVERAL HUNDRED PRIVATELY OWNED FIRMS. GOP HAD ORIGINALLY SET FEB 28 TARGET DATE FOR DEINTERVENTION, BUT LARGE NUMBER OF FIRMS INVOLVED AND COMPLEXITY OF ISSUE MAKE IT UNLIKELY DEADLINE WILL BE MET. ACCORDING TO FEB 16 STATEMENTS BY BARRETO, GOP WILL SOON PRESENT TO ASSEMBLY OF REPUBLIC FOR APPROVAL PROPOSAL TO DEINTERVENE OVER 400 FIRMS. OPPOSITION TO DEINTERVENTION BY COMMUNIST-LED ORGANIZED LABOR IS MEANWHILE GROWING. COMMUNIST-LINING LISBON DAILY "O DIARIO" HAS BEEN CONDUCTING STRIDENT FRONT PAGE ANTI-DEINTERVENTION CAMPAIGN. LISBON AND OPORTO SECRETARIATS OF INTERVENED FIRM WORKERS COMMISSIONS AND CGTP-IN HAVE CONVOKED FEB 20 MEETING TO DISCUSS MEASURES TO RESIST MOVE.

5. EXCHANGE RATE: LISBON ESCUDO/DOLLAR CHECK PURCHASE RATE CLOSED FEB 17 AT 32.517. ESCUDO STOOD AT 32.334 A WEEK BEFORE AND AT 31.367 JAN 3, WHEN GOP INITIATED CURRENT DRIFT.

6. COMMENT: PUBLIC WORKER AND FISHERMEN/SEAMEN DISPUTES WERE STRONGEST TEST YET OF GOP'S ABILITY TO RESIST PRESSURE FROM ORGANIZED LABOR. ITS FIRMNESS IN DEALING WITH THE DISPUTES WAS IMPRESSIVE. IT REMAINS TO BE SEEN, HOWEVER, IF IT CAN BE EQUALLY FIRM IN APPLYING SUCH MEASURES AS ITS 15 PER CENT PRIVATE SECTOR WAGE GUIDELINES IN THE FACE OF CERTAIN STRONG LABOR OPPOSITION.  
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## Message Attributes

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